

***Prison Policy Initiative, Inc.  
Financial Statements  
June 30, 2011***

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**Table of Contents**

|  |          |
|--|----------|
| <b>Independent Accountant’s Review Report.....</b> | <b>1</b> |
| <b>Financial Statements:</b>                       |          |
| Statement of Financial Position .....              | 2        |
| Statement of Activities .....                      | 3        |
| Statement of Cash Flows.....                       | 4        |
| Statement of Functional Expenses .....             | 5        |
| Notes to Financial Statements.....                 | 6-7      |

# ***Nolan, Calcasola & Company, P.C.***

***Certified Public Accountants***

## **Independent Accountant's Review Report**

*To the Board of Directors  
Prison Policy Initiative, Inc.*

We have reviewed the accompanying statement of financial position of Prison Policy Initiative, Inc. (a not for profit corporation) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended.,

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Corporation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Nolan, Calcasola & CO P.C.*

November 27, 2011

**Prison Policy Initiative, Inc.**  
**Statement of Financial Position**  
**June 30, 2011**

Assets

Current Assets

|                           |                |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 10,194      |
| Cash savings              | <u>148,270</u> |

|                      |         |
|----------------------|---------|
| Total Current Assets | 158,464 |
|----------------------|---------|

|  |              |
|--|--------------|
| Equipment net of accumulated depreciation of (\$288) | <u>2,596</u> |
|--|--------------|

|              |                          |
|--------------|--------------------------|
| Total Assets | <u><u>\$ 161,060</u></u> |
|--------------|--------------------------|

Liabilities and Net Assets

Current Liabilities

|                  |                 |
|------------------|-----------------|
| Accrued expenses | <u>\$ 5,629</u> |
|------------------|-----------------|

|                           |              |
|---------------------------|--------------|
| Total Current Liabilities | <u>5,629</u> |
|---------------------------|--------------|

Net Assets

|                        |                |
|------------------------|----------------|
| Unrestricted           | 40,890         |
| Temporarily restricted | <u>114,541</u> |

|                  |                |
|------------------|----------------|
| Total Net Assets | <u>155,431</u> |
|------------------|----------------|

|                                  |                          |
|----------------------------------|--------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 161,060</u></u> |
|----------------------------------|--------------------------|

See Accountant's Independent Review Report.

**Prison Policy Initiative, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2011**

Revenue and support

|   | Unrestricted     | Temporarily<br>Restricted | Total             |
|---|------------------|---------------------------|-------------------|
| Grants                                    |                  | \$ 250,000                | \$ 250,000        |
| Contributions                             | \$ 14,380        |                           | 14,380            |
| Fees                                      | 200              |                           | 200               |
| Interest income                           | 926              |                           | 926               |
| Net assets released from restrictions     | 237,324          | (237,324)                 | 0                 |
| <b>Total revenue and support</b>          | <b>252,830</b>   | <b>12,676</b>             | <b>265,506</b>    |
| <b>Expenses</b>                           |                  |                           |                   |
| Program expenses                          | 189,567          |                           | 189,567           |
| Management and general                    | 14,897           |                           | 14,897            |
| Fund raising expenses                     | 12,308           |                           | 12,308            |
| <b>Total expense</b>                      | <b>216,772</b>   |                           | <b>216,772</b>    |
| <b>Change in net assets</b>               | <b>36,058</b>    | <b>12,676</b>             | <b>48,734</b>     |
| <b>Net assets as of beginning of year</b> | <b>4,832</b>     | <b>101,865</b>            | <b>106,697</b>    |
| <b>Net assets as of end of year</b>       | <b>\$ 40,890</b> | <b>\$ 114,541</b>         | <b>\$ 155,431</b> |

See Accountant's Independent Review Report.

**Prison Policy Initiative, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2011**

|  |                         |
|--|-------------------------|
| Cash flows from operating activities           |                         |
| Change in net assets                           | \$ 48,734               |
| Depreciation                                   | \$ 288                  |
| Change in liabilities                          | <u>(1,116)</u>          |
| Net cash provided by operating activities      | 47,906                  |
| Cash flows from investing activities           |                         |
| Purchase of equipment                          | (2,884)                 |
| Addition to savings                            | <u>(43,588)</u>         |
| Net cash used by investing activities          | <u>(46,472)</u>         |
| Net increase in cash and cash equivalents      | 1,434                   |
| Cash and cash equivalents at beginning of year | <u>8,760</u>            |
| Cash and cash equivalents at end of year       | <u><u>\$ 10,194</u></u> |

See Accountant's Independent Review Report.

**Prison Policy Initiative, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2011**

|                        | <u>Programs</u>          | <u>Management<br/>and General</u> | <u>Fund<br/>Raising</u> | <u>Total</u>             |
|------------------------|--------------------------|-----------------------------------|-------------------------|--------------------------|
| Salaries and taxes     | \$ 140,602               | \$ 8,641                          | \$ 8,641                | \$ 157,884               |
| Payroll taxes          | 12,285                   | 661                               | 661                     | 13,607                   |
| Employee benefits      | 3,240                    | 180                               | 180                     | 3,600                    |
| Occupancy              | 2,880                    | 360                               | 360                     | 3,600                    |
| Supplies               | 4,465                    |                                   |                         | 4,465                    |
| Work study             | 840                      |                                   |                         | 840                      |
| Insurance              |                          | 2,031                             |                         | 2,031                    |
| Telephone and Internet | 2,707                    | 338                               | 338                     | 3,383                    |
| Travel                 | 5,712                    |                                   | 172                     | 5,884                    |
| Consultants            | 14,469                   |                                   |                         | 14,469                   |
| Printing and copying   | 443                      | 55                                | 55                      | 553                      |
| Postage and shipping   | 1,924                    | 241                               | 241                     | 2,406                    |
| Depreciation           |                          | 288                               |                         | 288                      |
| Accounting fees        |                          | 900                               |                         | 900                      |
| Promotion expense      |                          |                                   | 1,660                   | 1,660                    |
| Dues                   |                          | 622                               |                         | 622                      |
| Bank charges           |                          | 495                               |                         | 495                      |
| Fees                   |                          | 85                                |                         | 85                       |
| <b>Total expenses</b>  | <b><u>\$ 189,567</u></b> | <b><u>\$ 14,897</u></b>           | <b><u>\$ 12,308</u></b> | <b><u>\$ 216,772</u></b> |

See Accountant's Independent Review Report.

**Prison Policy Initiative, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

**1. Organization and Purpose**

Prison Policy Initiative, Inc. was incorporated under Chapter 180 of the general laws of the Commonwealth of Massachusetts. The purpose of the Corporation is to conduct strategic research on incarceration policy with the goal of decreasing the use of incarceration as a means of addressing social problems.

**2. Summary of Significant Accounting Policies**

The financial statements have been prepared in accordance with the generally accepted accounting principles. The Corporation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation, currently, has unrestricted net assets and temporarily restricted assets.

**Revenues**

The Corporation is funded through contributions and grants. The Corporation has no formal fund-raising program and does not plan to employ professional fund-raisers.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Property and Equipment**

Property and equipment are valued at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Additions and renewals, unless minor in amount, are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed in the period incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to income.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash of Flows, the Corporation considers all unrestricted highly liquid accounts to be cash with maturities less than three months.

**Common Expenses**

Common operating expenses are allocated to programs based on estimated time spent.

**Publicity and Promotions**

The Corporation uses publicity and promotion to promote its programs. Such costs are expensed as incurred.

**Concentration of Credit Risk**

The Corporation maintains various bank accounts with a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total cash at this institution as of June 30, 2011, is \$158,464.



**Prison Policy Initiative, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

**3. Federal Income Tax Status**

The Corporation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code of 1954, as amended ("Code Section"), as an organization described in Section 501(c)(3).

**4. Net Assets**

The Corporation recognizes contributions received during the year as unrestricted support if there are no restrictions relating to time or manner of use. If there are restrictions as to time or manner of use such contributions are classified as temporarily restricted support. If there are restrictions that stipulate that resources be maintained permanently but allows the organization to use part or all of the income such contributions are classified as permanently restricted support. Board designations of contributions received are not classified as restricted since the Board may reverse such designations.

**5. Temporarily Restricted Assets**

Temporarily restricted assets as of June 30, 2011 were \$114,541 for the Prisoners of the Census Project.

**6. Related Party Transaction**

During the course of the year the organization paid rent of \$3,600 to the executive director.

**7. Income Taxes**

On July 1, 2010 the Corporation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon the examination by the taxing authorities. The Corporation has analyzed tax positions taken for the filing with the Internal Revenue Service and all jurisdictions where it operates. The Corporation believes that the income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect in financial condition, results of operations or cash flows. Therefore, the Corporation has not recorded any reserves, or related accruals for interest and penalties at June 30, 2011.

The Corporation is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to 2007.

The Corporation's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**8. Subsequent Events**

The Corporation did not have any recognized or non-recognized subsequent events after June 30, 2011, the date of the statement of financial position. Subsequent events have been evaluated through February 2, 2012, the date the financial statements were issued.

**9. Equipment**

The Corporation has equipment of \$2,884 and related accumulated depreciation of \$288 for net book value of \$2,596. The depreciation is computed using straight line depreciation over the asset's estimated useful life with no salvage value. The depreciation deduction take during the year was \$288.